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# Sales Tax Rates in Major Cities, Midyear 2017

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## Key Findings

- There are roughly 10,000 sales tax jurisdictions in the United States, with widely varying rates.
- Among major cities, Long Beach, California, and Chicago, Illinois, impose the highest combined state and local sales tax rates, at 10.25 percent. Four other cities—Birmingham and Montgomery, Alabama, and Baton Rouge and New Orleans, Louisiana, rank next highest with 10.0 percent combined rates.
- Neither Anchorage, Alaska, nor Portland, Oregon, impose any state or local sales taxes. Honolulu, Hawaii, has a low rate of 4.5 percent and several other major cities, including Richmond, Virginia, keep overall rates modest.
- A 1 percentage point increase in the Louisiana state sales tax, and ballot issues in California and Georgia, drove up rates in several large cities.
- Research demonstrates a rise in cross-border shopping and other avoidance efforts as sales tax rates increase.

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Sales taxes in the United States are levied not only by state governments but also by city, county, tribal, and special district governments. In many cases these local sales taxes can have a profound impact on the total rate that consumers pay.

Several private firms maintain databases of the sales tax rates in the roughly 10,000 local jurisdictions in the United States that levy them. Here, we list the combined state and local sales tax rates in major U.S. cities, defined as U.S. Census-designated incorporated places with a population over 200,000. This report complements our semiannual calculation of the average of all local sales taxes in each state.<sup>1</sup>

## Highest and Lowest Sales Taxes in Major Cities

Last year, Chicago, Illinois, vaulted to the top of the list of cities imposing the highest combined state and local sales tax in the nation when a county tax increase brought the total rate to 10.25 percent,<sup>2</sup> a dubious distinction it now shares with Long Beach, California, which reached 10.25 percent on July 1, 2017, following the implementation of both city and county sales tax rate increases.<sup>3</sup> Four cities trail closely behind at 10 percent: Birmingham and Montgomery, Alabama, and Baton Rouge and New Orleans, Louisiana.

The two cities in Louisiana are relatively new inclusions at the very top, driven by a 1 percentage point increase in the Louisiana state sales tax effective April 1, 2016.<sup>4</sup> They are followed by Seattle and Tacoma, Washington, at 9.6 percent; Fremont and Oakland, California, and Memphis and Nashville, Tennessee, at 9.25 percent; and Glendale, Arizona, at 9.2 percent.

Portland, Oregon, and Anchorage, Alaska, have neither a state nor a local sales tax. Honolulu, Hawaii, has the third lowest sales tax among major cities with a rate of 4.5 percent. However, Hawaii's overly broad sales tax makes this not strictly comparable with other states. Richmond, Virginia (5.3 percent), Madison, Wisconsin (5.5 percent), and Tulsa, Oklahoma (5.5 percent), also impose low combined state and local sales tax rates.

1 Jared Walczak and Scott Drenkard, "State and Local Sales Tax Rates, Midyear 2017," Tax Foundation Fiscal Fact No. 553, July 5, 2017, <https://taxfoundation.org/state-and-local-sales-tax-rates-midyear-2017/>.

2 Jared Walczak, "Chicago Adopts Highest Sales Tax Among Major Cities," Tax Foundation Tax Policy Blog, July 16, 2015, <http://taxfoundation.org/blog/chicago-adopts-highest-sales-tax-among-major-cities>.

3 California Board of Equalization, "New Sales and Use Tax Rate for Los Angeles County Operative July 1, 2017," <https://www.boe.ca.gov/pdf/l499.pdf>.

4 Tyler Bridges, "Louisiana Sales Tax System Now Ranks Worse Than Last Place," *The Advocate*, Mar. 31, 2016, <http://theadvocate.com/news/15350511-127/louisiana-sales-tax-system-now-ranks-worse-than-last-place>.

## Sales Tax Rate Changes in Major Cities

This year's expiration of the sales tax component of Proposition 30 (2012) reduced California's mandatory state-collected local sales tax by 0.25 percent,<sup>5</sup> reducing overall rates for seventeen California cities on the list, though local rate increases in Los Angeles and Long Beach more than offset the statewide reduction in those jurisdictions.<sup>6</sup> Transportation referenda in the city of Atlanta and Fulton County, Georgia, yielded an 0.9 percentage point rate increase, implemented in two phases, in Atlanta.<sup>7</sup> Meanwhile, Jersey City and Newark, New Jersey, saw modest rate reductions under the first phase of a transportation funding package which increased the state's gas tax, phases out the estate tax, and reduced the state sales tax rate from 7.0 to 6.875 percent, with a further reduction scheduled for next year.<sup>8</sup>

## The Role of Competition in Sales Tax

Sales tax avoidance is most likely to occur in areas where there is a significant difference between two jurisdictions' sales tax rates. Research indicates that consumers can and do leave high-tax areas to make major purchases in low-tax areas, such as from cities to suburbs.<sup>9</sup> For example, strong evidence exists that Chicago-area consumers make major purchases in surrounding suburbs or online to avoid Chicago's high sales tax rates.<sup>10</sup> At the statewide level, businesses sometimes locate just outside the borders of high sales tax areas to avoid being subjected to their rates. Delaware actually uses its state border welcome sign to remind motorists that Delaware is the "Home of Tax-Free Shopping."<sup>11</sup> State and local governments should be cautious about raising rates too high relative to their neighbors because doing so may lead to revenue losses despite the higher tax rate.

5 Joseph Henschman, "California Prop 55: Extending Higher State Income Taxes for Education and Health," Tax Foundation Tax Policy Blog, Oct. 24, 2016, <https://taxfoundation.org/california-prop-55-extending-higher-state-income-taxes-education-and-health>.

6 California Board of Equalization.

7 Georgia Department of Revenue, "New Atlanta and Fulton County Local Sales Taxes," Policy Bulletin SUT-2017-01, Jan. 19, 2017, [https://dor.georgia.gov/sites/dor.georgia.gov/files/related\\_files/document/LATP/Policy%20Bulletin/SUT-2017-01\\_\\_\\_New\\_Local\\_Taxes.pdf](https://dor.georgia.gov/sites/dor.georgia.gov/files/related_files/document/LATP/Policy%20Bulletin/SUT-2017-01___New_Local_Taxes.pdf).

8 Jared Walczak, "New Jersey's Gas Tax Increase is Just One Part of the Story," Tax Foundation Tax Policy Blog, Oct. 24, 2016, <https://taxfoundation.org/new-jerseys-gas-tax-increase-just-one-part-story/>.

9 Mehmet Serkan Tosun and Mark Skidmore, "Cross-Border Shopping and the Sales Tax: A Reexamination of Food Purchases in West Virginia" (Research Paper), Sept., 2005, <http://rri.wvu.edu/wp-content/uploads/2012/11/Tosunwp2005-7.pdf>. See also Randolph T. Beard, Paula A. Gant, and Richard P. Saba, "Border-Crossing Sales, Tax Avoidance, and State Tax Policies: An Application to Alcohol," *Southern Economic Journal* 64, no. 1, (1997): 293-306.

10 Susan Chandler, "The Sales Tax Sidestep," *Chicago Tribune*, July 20, 2008, [http://articles.chicagotribune.com/2008-07-20/business/0807190001\\_1\\_sales-tax-tax-avoidance-tax-landscape](http://articles.chicagotribune.com/2008-07-20/business/0807190001_1_sales-tax-tax-avoidance-tax-landscape).

11 Len Lazarick, "Raise taxes, and they'll move, constituents tell one delegate," *Marylandreporter.com*, Aug. 3, 2011, <http://marylandreporter.com/2011/08/03/raise-taxes-and-theyll-move-constituents-tell-one-delegate/>.

## Sales Tax Bases: The Other Half of the Equation

This report ranks states and cities based on tax rates and does not account for differences in tax bases (the structure of sales taxes, defining what is taxable and nontaxable). States can vary greatly in this regard. For instance, most states exempt groceries from the sales tax, others tax groceries at a limited rate, and still others tax groceries at the same rate as all other products.<sup>12</sup> Some states exempt clothing or tax it at a reduced rate.<sup>13</sup> The taxation of services and business-to-business transactions also varies widely by state.<sup>14</sup>

Tax experts generally recommend that sales taxes apply to all final retail sales of goods and services but not intermediate business-to-business transactions in the production chain.<sup>15</sup> These recommendations would result in a tax system that is not only broad-based but also “right-sized,” applying once and only once to each product the market produces. Despite agreement in theory, the application of most state sales taxes is far from this ideal.<sup>16</sup>

Hawaii has the broadest sales tax in the United States, taxing many products multiple times and, by one estimate, ultimately taxing more than 100 percent of the state’s personal income. This base is far wider than the national median, where the sales tax base applies to 36.3 percent of personal income.<sup>17</sup>

## Conclusion

Sales taxes are just one part of the overall tax structure and should be considered in context. For example, Washington State has high sales taxes but no income tax, whereas Oregon has no sales tax but high income taxes. While many factors influence business location and investment decisions, sales taxes are something within policymakers’ control that can have immediate impacts.

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12 For a list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, *2018 State Business Tax Climate Index*, Tax Foundation, <https://taxfoundation.org/publications/state-business-tax-climate-index/>.

13 Liz Malm and Richard Borean, “How Does Your State Sales Tax See That Blue and Black (or White and Gold) Dress?” Tax Foundation, Feb. 27, 2015, <http://taxfoundation.org/blog/how-does-your-state-sales-tax-see-blue-and-black-or-white-and-gold-dress>.

14 For a representative list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, *2018 State Business Tax Climate Index*.

15 Justin Ross, “A Primer on State and Local Tax Policy: Trade-Offs Among Tax Instruments,” Mercatus Center at George Mason University, Feb. 25, 2014, <http://mercatus.org/publication/primer-state-and-local-tax-policy-trade-offs-among-tax-instruments>.

16 For a representative list, see Jared Walczak, Scott Drenkard, and Joseph Henchman, *2018 State Business Tax Climate Index*.

17 John Mikesell, “State Retail Taxes in 2012: The Recovery Continues,” *State Tax Notes*, June 2013, 1001-1006.

TABLE 1.

## State and Local Sales Tax Rates in Cities with Populations above 200,000, as of July 1, 2017

City	State	State	Local	Total	Rank
Long Beach (a)	California	7.250%	3.000%	10.250%	1
Chicago	Illinois	6.250%	4.000%	10.250%	1
Birmingham (b)	Alabama	4.000%	6.000%	10.000%	3
Montgomery	Alabama	4.000%	6.000%	10.000%	3
Baton Rouge	Louisiana	5.000%	5.000%	10.000%	3
New Orleans (c)	Louisiana	5.000%	5.000%	10.000%	3
Seattle	Washington	6.500%	3.100%	9.600%	7
Tacoma	Washington	6.500%	3.100%	9.600%	7
Fremont (a)	California	7.250%	2.000%	9.250%	9
Los Angeles (a)	California	7.250%	2.000%	9.250%	9
Oakland (a)	California	7.250%	2.000%	9.250%	9
Memphis	Tennessee	7.000%	2.250%	9.250%	9
Nashville-Davidson	Tennessee	7.000%	2.250%	9.250%	9
Glendale	Arizona	5.600%	3.600%	9.200%	14
Atlanta (d)	Georgia	4.000%	4.900%	8.900%	15
New York	New York	4.000%	4.875%	8.875%	16
Yonkers	New York	4.000%	4.875%	8.875%	16
Glendale (a)	California	7.250%	1.500%	8.750%	18
San Jose (a)	California	7.250%	1.500%	8.750%	18
Stockton (a)	California	7.250%	1.500%	8.750%	18
Buffalo	New York	4.000%	4.750%	8.750%	18
Spokane	Washington	6.500%	2.200%	8.700%	22
St. Louis	Missouri	4.225%	4.454%	8.679%	23
Phoenix	Arizona	5.600%	3.000%	8.600%	24
Tulsa	Oklahoma	4.500%	4.017%	8.517%	25
San Francisco (a)	California	7.250%	1.250%	8.500%	26
Aurora (e)	Colorado	2.900%	5.600%	8.500%	26
Oklahoma City	Oklahoma	4.500%	3.875%	8.375%	28
Kansas City (f)	Missouri	4.225%	4.125%	8.350%	29
Sacramento (a)	California	7.250%	1.000%	8.250%	30
Aurora	Illinois	6.250%	2.000%	8.250%	30
Corpus Christi	Texas	6.250%	2.000%	8.250%	30
Laredo	Texas	6.250%	2.000%	8.250%	30
Lubbock	Texas	6.250%	2.000%	8.250%	30
San Antonio	Texas	6.250%	2.000%	8.250%	30
Colorado Springs	Colorado	2.900%	5.350%	8.250%	36
Austin (g)	Texas	6.250%	2.000%	8.250%	36
Dallas	Texas	6.250%	2.000%	8.250%	36
El Paso	Texas	6.250%	2.000%	8.250%	36

TABLE 1, Continued.

## State and Local Sales Tax Rates in Cities with Populations above 200,000, as of July 1, 2017

City	State	State	Local	Total	Rank
Fort Worth	Texas	6.250%	2.000%	8.250%	36
Garland	Texas	6.250%	2.000%	8.250%	36
Houston	Texas	6.250%	2.000%	8.250%	36
Irving	Texas	6.250%	2.000%	8.250%	36
Plano	Texas	6.250%	2.000%	8.250%	36
Henderson	Nevada	6.850%	1.300%	8.150%	45
Las Vegas	Nevada	6.850%	1.300%	8.150%	45
North Las Vegas	Nevada	6.850%	1.300%	8.150%	45
Tucson	Arizona	5.600%	2.500%	8.100%	48
Mesa	Arizona	5.600%	2.450%	8.050%	49
San Bernardino (a)	California	7.250%	0.750%	8.000%	50
Rochester	New York	4.000%	4.000%	8.000%	50
Cleveland	Ohio	5.750%	2.250%	8.000%	50
Philadelphia	Pennsylvania	6.000%	2.000%	8.000%	50
Arlington	Texas	6.250%	1.750%	8.000%	50
Fresno (a)	California	7.250%	0.725%	7.975%	55
Scottsdale	Arizona	5.600%	2.350%	7.950%	56
Chandler	Arizona	5.600%	2.200%	7.800%	57
Gilbert	Arizona	5.600%	2.200%	7.800%	57
Minneapolis (h)	Minnesota	6.875%	0.900%	7.775%	59
Anaheim (a)	California	7.250%	0.500%	7.750%	60
Chula Vista (a)	California	7.250%	0.500%	7.750%	60
Fontana (a)	California	7.250%	0.500%	7.750%	60
Huntington Beach (a)	California	7.250%	0.500%	7.750%	60
Irvine (a)	California	7.250%	0.500%	7.750%	60
Moreno Valley (a)	California	7.250%	0.500%	7.750%	60
Oxnard (a)	California	7.250%	0.500%	7.750%	60
Riverside (a)	California	7.250%	0.500%	7.750%	60
San Diego (a)	California	7.250%	0.500%	7.750%	60
Santa Ana (a)	California	7.250%	0.500%	7.750%	60
Reno	Nevada	6.850%	0.875%	7.725%	70
Denver	Colorado	2.900%	4.750%	7.650%	71
St. Paul (i)	Minnesota	6.875%	0.750%	7.625%	72
Columbus	Ohio	5.750%	1.750%	7.500%	73
Wichita	Kansas	6.500%	1.000%	7.500%	74
Durham	North Carolina	4.750%	2.750%	7.500%	74
Modesto (a)	California	7.250%	0.125%	7.375%	76
Albuquerque (j)	New Mexico	5.125%	2.188%	7.313%	77
Lincoln	Nebraska	5.500%	1.750%	7.250%	78

TABLE 1, Continued.

## State and Local Sales Tax Rates in Cities with Populations above 200,000, as of July 1, 2017

City	State	State	Local	Total	Rank
Charlotte	North Carolina	4.750%	2.500%	7.250%	78
Toledo	Ohio	5.750%	1.500%	7.250%	78
Bakersfield (a)	California	7.250%	0.000%	7.250%	81
Fort Wayne	Indiana	7.000%	0.000%	7.000%	82
Indianapolis	Indiana	7.000%	0.000%	7.000%	82
Omaha (k)	Nebraska	5.500%	1.500%	7.000%	82
Fayetteville	North Carolina	4.750%	2.250%	7.000%	82
Cincinnati (l)	Ohio	5.750%	1.250%	7.000%	82
Hialeah	Florida	6.000%	1.000%	7.000%	87
Jacksonville	Florida	6.000%	1.000%	7.000%	87
Miami	Florida	6.000%	1.000%	7.000%	87
St. Petersburg	Florida	6.000%	1.000%	7.000%	87
Tampa	Florida	6.000%	1.000%	7.000%	87
Pittsburgh	Pennsylvania	6.000%	1.000%	7.000%	87
Jersey City	New Jersey	6.875%	0.000%	6.875%	93
Newark	New Jersey	6.875%	0.000%	6.875%	93
Greensboro	North Carolina	4.750%	2.000%	6.750%	95
Raleigh	North Carolina	4.750%	2.000%	6.750%	95
Winston-Salem	North Carolina	4.750%	2.000%	6.750%	95
Orlando	Florida	6.000%	0.500%	6.500%	98
Boston	Massachusetts	6.250%	0.000%	6.250%	99
Chesapeake (a)	Virginia	5.300%	0.700%	6.000%	100
Norfolk (a)	Virginia	5.300%	0.700%	6.000%	100
Virginia Beach (a)	Virginia	5.300%	0.700%	6.000%	100
Boise City	Idaho	6.000%	0.000%	6.000%	103
Des Moines	Iowa	6.000%	0.000%	6.000%	103
Lexington-Fayette	Kentucky	6.000%	0.000%	6.000%	103
Louisville	Kentucky	6.000%	0.000%	6.000%	103
Baltimore	Maryland	6.000%	0.000%	6.000%	103
Detroit	Michigan	6.000%	0.000%	6.000%	103
Arlington (a, m)	Virginia	5.300%	0.700%	6.000%	103
Washington	District of Columbia	5.750%	0.000%	5.750%	110
Milwaukee	Wisconsin	5.000%	0.600%	5.600%	111
Madison	Wisconsin	5.000%	0.500%	5.500%	112
Richmond (a)	Virginia	5.300%	0.000%	5.300%	113
Honolulu (j, n)	Hawaii	4.000%	0.500%	4.500%	114
Anchorage	Alaska	0.000%	0.000%	0.000%	115
Portland	Oregon	0.000%	0.000%	0.000%	115

TABLE 1, *Continued.***State and Local Sales Tax Rates in Cities with Populations above 200,000, as of July 1, 2017**

(a) California and Virginia levy mandatory 1 percent statewide add-on sales taxes at the local level; these are included in their state sales tax rates. Northern Virginia and Hampton Roads have an additional 0.7 percent rate, which is treated here as a local tax.

(b) Most of Birmingham is located within Jefferson County and is subject to a 10 percent sales tax. However, part of the city lies in Shelby County and is subject to a total rate of 9 percent.

(c) Most of New Orleans is located within Orleans Parish and is subject to a 10 percent sales tax. However, part of the city lies in Jefferson Parish and is subject to a total rate of 9.75 percent.

(d) Most of Atlanta is located in Fulton and DeKalb counties and is subject to an 8 percent sales tax. However, part of the city lies in Cobb County and is subject to a total rate of 7 percent.

(e) Most of Aurora is located within Adams County and is subject to an 8.5 percent sales tax. However, part of the city lies in Arapahoe County and is subject to a total rate of 8.0 percent.

(f) Most of Kansas City is located within Jackson County and is subject to a 8.35 percent sales tax. However, the city's top rate is in Platte County, at 8.475 percent, while another part of the city lies in Clay County, where it is subject to a total rate of 8.1 percent.

(g) Most of Austin is located within Travis and Williamson counties and is subject to an 8.25 percent sales tax. However, part of the city lies in Hays County and is subject to a total rate of 7 percent.

(h) Most of Minneapolis is within Hennepin County and is subject to a 7.775 percent sales tax. However, part of the city lies in Anoka County and is subject to a total rate of 7.625 percent.

(i) Most of St. Paul is located within Ramsey, Washington, and Dakota Counties and is subject to a 7.625 percent sales tax. However, part of the city lies in Hennepin County and is subject to a total rate of 7.775 percent.

(j) The sales taxes in Hawaii and New Mexico have broad bases that include many services.

(k) Most of Omaha is located within Douglas County and is subject to a 7 percent sale tax. However, part of the city lies in Sarpy County and is subject to a total rate of 5.5 percent.

(l) Most of Cincinnati is located within Hamilton County and is subject to a 7.0 percent sales tax. However, part of the city lies in Claremont County and is subject to a total rate of 6.75 percent.

(m) Arlington is a county without any incorporated municipalities. However, we treat it as a city here because it is included in the Census Bureau's annual list of incorporated places.

(n) In the table, "Honolulu" refers to the incorporated portion of the larger City and County of Honolulu.

Source: Sales Tax Clearinghouse; city ordinances; state revenue and auditing departments